ENTERPRISE ZONES PARTNERSHIP
ANNUAL REPORT TO THE GOVERNOR
2001-2002

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EXECUTIVE SUMMARY

Hawaii's Enterprise Zones (EZ) Partnership was created by the Legislature to help stimulate certain types of business activity and employment in areas where they are most needed or most appropriate. Each county can select up to six areas which satisfy income or unemployment criteria for 20-year designation by the Governor. Eligible businesses that satisfy EZ hiring requirements are exempt from the Hawaii General Excise (GET) and Use Taxes, and can claim two partial state personal or corporate income tax credits for up to seven consecutive years. Construction and construction trade contractors are also exempt from GET on work done for EZ-enrolled businesses. The counties also offer a variety of incentives, usually involving incremental property tax relief, priority permit processing, and/or fee waivers.

While not an economic growth panacea, the program has the potential to be a significant part of the State's efforts to stimulate job creation and economic diversification. About two-thirds of mainland states have EZ programs, some since the early 1980s. Several studies which attempted to measure the cost per job created have concluded that EZ programs are as good or better than other job creation programs. Other studies which attempted a cost-benefit analysis concluded that such programs can be "revenue-positive" for state governments regardless of the number of jobs created.

The EZ Partnership has been expanded by the efforts of Governor Cayetano. Legislation sponsored by the Cayetano Administration in 1996 was enacted to enhance the EZ program's effectiveness as an economic diversification tool. This legislation made certain specific types of medical, information technology, telecommunications, and training activities eligible for EZ benefits. This is in addition to existing EZ-eligible business activities which include

manufacturing, wholesaling, farming, and maintenance or repair of aircraft or waterborne vessels. These changes were expected to help increase the quality of jobs created in EZs. In 1996, the Governor also designated new zones on the Big Island and Kauai, and the first three zones on Oahu.

In 1997, legislation was initiated by the Governor that created the Use Tax exemption and GET exemption for contractors. Also in 1997, Molokai was designated as a zone in January, four new Kauai zones were approved in February and April, and the North Shore zone on Oahu was expanded. In 1999, Hamakua and Pearl City-Waipahu zones was expanded by the Governor in January and March, respectively.

In 2000, the Governor designated new zones including Lanai, East Maui, and North Kohala on the Big Island. EZ business eligibility was also expanded in 2000 to include biotechnology research, development, production and sales; repair and maintenance of assistive technology equipment; wind energy production; and certain types of call centers.

In January, 2001, the North Shore zone on Oahu was expanded to include the Ko'olauloa district, and, in April, new zones were added in urban Honolulu (from the airport through downtown) and on the leeward coast. In December, 2001, the Governor also approved a request from Hawaii County to expand five of the six Big Island zones.

A total of 19 zones have now been designated statewide, and the changes made in 2001 contributed to a significant increase in the number of firms enrolled in the EZ program.

After zone designation, eligible businesses already in each new zone are notified, followed by efforts to attract new businesses**. As of January 1, 2002, 148 businesses were enrolled in the program. This represents an increase of 56 firms since the end of 2000.** (The number of enrolled firms by island is as follows: Big Island: 49; Oahu: 74; Kauai: 19;

Molokai: 6; Lanai: 0; Maui: 0.) Most are engaged in agriculture, wholesaling, manufacturing, or repair and maintenance, but the number engaged in other eligible categories is increasing. Most enrolled firms will not submit their hiring reports for 2001 until sometime in 2002. But based on data reported up to December 1, 2001, **participating firms reported a cumulative combined total of approximately 400 new jobs since program inception, and an average of approximately $1,100 in annual state tax relief per new job created**. The cumulative number of new jobs represents an increase of about 30 jobs since the end of 2001. The estimated average amount of tax relief per job created has continued to decline as the number of enrolled firms increases.

The estimates of tax relief per new job listed here and elsewhere in this report are based primarily on the amount of the General Excise Tax (GET) exemption for which qualifying firms were eligible. The GET exemption is by far the most substantial incentive for most firms, and the most easily measured. The estimates do not include income tax relief because this was either non-existent (because no income tax was owed) or negligible for almost all qualifying firms. Estimates of the Use Tax exemption and the contractor exemption from GET are also not included for the same reason.

PURPOSE

The purpose of the Enterprise Zones (EZ) Partnership is to create a collaborative relationship between the State, the counties, and participating businesses that encourages—via tax and other incentives—certain types of business activity, job creation, and economic diversification in areas and industries where they are most needed or most appropriate. Each county can select up to six areas that satisfy unemployment or income criteria for 20-year designation as Enterprise Zones by the Governor. Eligible businesses that satisfy certain hiring requirements are exempt from Hawaii's General Excise Tax (GET) and Use Tax. They may also claim two partial state income tax credits for up to seven consecutive years. Construction and construction-trade contractors are exempt from GET on work performed for EZ-enrolled businesses, and the counties also contribute one or more incentives which may include, but are not limited to:

- Priority zoning or building permit processing;
- Zoning, building fee, and permit waivers or variances;
- Incremental property tax relief resulting from added value due to property improvements; and
- Priority consideration for federal job training or community development funds.

Eligible business activities include:

- Manufacturing;
- Wholesaling;
- Agricultural production or processing;
- Aviation and maritime maintenance and repair;
- Telecommunications switching and delivery systems (not including consumer

sales or services);

- Certain types of call centers (e.g. bill collection and technical support for computer hardware and software firms);
- Information technology design and production (e.g., software development, imagery creation, and data compilation, but not consumer sales or services);
- Biotechnology research, development, production, or sales;
- Medical research, clinical trials, and telemedicine services;
- For-profit international business management training;
- Environmental remediation technician training;
- Wind energy production; and
- Repair or maintenance of assistive technology equipment.

At present, zone designations primarily benefit existing wholesalers, diversified agricultural businesses, and light manufacturers such as food processors (especially those primarily or exclusively targeting local markets). But more new businesses in these and other eligible categories are expected as the program evolves. (See Appendix B for lists of enrolled businesses by island, zone, and type.)

HISTORY

The program was created by Act 78, 1986, and codified in Chapter 209E, Hawaii Revised Statutes. The enabling legislation was amended by Act 390, 1989, to more specifically define and limit the types of businesses that would be eligible and the hiring requirements that eligible businesses must satisfy. Since most head-to-head business competition is in the small-scale retail sector, the Legislature removed almost all retail businesses from eligibility due to concerns that EZ designation could create "unfair" competitive advantages for retailers located in EZs.

The administrative rules for the program were completed and approved in 1990. The counties did not immediately submit EZ nominations because the local economy was still strong and their unemployment rates were quite low, which reduced the need for a program intended to create jobs.

Two amendments were made in 1993 to make it clear that agricultural producers are eligible to participate (Act 17) and to make Kauai County census tract #405, which includes Lihue and vicinity, eligible for designation as an enterprise zone (Act 341). Tract #405 was the only Kauai census tract not eligible based on 1990 census data. Additional housekeeping amendments were made in 1995 (Act 91) to allow the EZ low-income employee earning thresholds to be updated annually, instead of every ten years, and to vary according to family size.

In 1996, the low-income hiring requirements were eliminated completely, and the overall hiring requirements were slightly increased (Act 286). The telecommunications, information technology, medical, and training categories were also added to the definition of eligible businesses (Act 286), while eligibility in the cleaning, repair, and maintenance category was limited to aviation and maritime activities. These changes were intended to increase the quality of jobs created by enterprise zone businesses.

Legislation passed in 1997 (Act 262) further clarified the definitions of the new eligible business categories added in 1996, and also added the use tax exemption and the contractor GET exemption to the EZ incentives. Act 262 also expanded the North Shore zone on Oahu to include all agricultural lands in the Waialua district until June 30, 2002.

Finally, amendments made in 2000 (Acts 118 and 160) made businesses engaged in biotechnology research, development, production, and sales, repair of assistive technology equipment, or wind energy production eligible to participate in the EZ program, along with certain types of call centers. Another amendment (Act 290) made it easier for EZ-eligible firms to qualify for state business loans.

To date, funds for promotion and administration of the program have come from within the existing departmental budget generally provided for administrative overhead. The costs of developing the administrative rules, procedures, forms, informational and promotional materials, and of responding to inquiries from--and preparatory consultation with--the counties, the business community, the State Department of Taxation (DoTAX), the State Department of Labor and Industrial Relations (DLIR), and the Legislature have come from the budget of the Department of Business, Economic Development, and Tourism (DBEDT) Business Services Division (BED 102 BB). As zones are designated, funds are used for ongoing administration and to assist the counties in promoting their zones.

PRESENT STATUS

Hawaii County (Island of Hawaii)

- In October, 1994, Governor John Waihee designated the state's first three EZs in Hamakua, Hilo-Puna, and Kona.
- In May, 1995, Governor Benjamin Cayetano designated a fourth Big Island zone in Ka`u, and approved expansion of the Hilo-Puna and Kona zones.
- In March, 1996, Governor Cayetano approved further expansion of the Hilo-Puna zone and designation of a fifth zone in southern Kona.
- In January, 1999, Governor Cayetano approved expansion of the Hamakua zone.
- In April, 2000, Governor Cayetano designated North Kohala as the Big Island's sixth zone.
- In, November 2001, Hawaii County submitted a request to expand all zones except Ka`u. Approval is pending.
- Hawaii County is offering a 3-year exemption from the incremental property tax increases resulting from new construction by eligible businesses in EZs.
- 49 Hawaii County businesses were enrolled in the program as of 1/1/02, an increase of 12 since the end of 2000.

City and County of Honolulu (Island of Oahu)

- In October, 1996, Governor Cayetano designated the following areas as Oahu's first enterprise zones:
    1. Mililani Technology Park and parts of Wahiawa;
    2. The former Oahu Sugar mill site and other parts of Waipahu and Pearl City; and
    3. The Waialua Sugar mill site and other parts of Waialua and Haleiwa.
- Retroactive to December 31, 1996, Governor Cayetano approved Act 262 of the 1997 Legislature which expanded the North Shore zone to include all agricultural lands in the Waialua district until June 30, 2002.
- In November, 1997, the Governor also approved further expansion of the North Shore zone boundaries to include areas in Pupukea and Mokuleia which were not included in Act 262. The expanded boundaries requested by the county will remain in effect for the remainder of the original zone's 20-year lifespan. (See Appendix E for map of North Shore zone boundaries.)
- In March, 1999, Governor Cayetano approved expansion of the Waipahu-Pearl City zone to include most of Campbell Industrial Park (except the refineries), Barbers Point Harbor and Naval Air Station, Kapolei, and parts of Kunia and Ewa.
- In January, 2001, the Governor approved further expansion of the North Shore EZ from Pupukea to Ka'a'awa, followed by the designation of new zones in urban Honolulu (from the airport to downtown) and on the leeward coast in April.

- County incentives include a two-year rebate on increases in real property taxes resulting from new construction by EZ-eligible firms, and a 7-year waiver of all building and grading permit fees for new construction by EZ-eligible firms.
- 74 Oahu businesses were enrolled in the program as of 1/1/02, an increase of 43 since the end of 2000.

Kauai County (Islands of Kauai and Ni'ihau)

- In April, 1996, Governor Cayetano approved designation of Lihue and vicinity as Kauai's first enterprise zone.
- In February, 1997, Governor Cayetano approved designation of two more zones in the North Shore and Kapaa areas.
- In April, 1997, Governor Cayetano approved two more zones in southern and western Kauai.
- All land on the island zoned for commercial or agricultural activity is now included in enterprise zones.
- Kauai County offers fast-track permit processing to eligible businesses.

  19 Kauai businesses were enrolled in the program as of 1/1/02, an increase of one since the end of 2000.

Maui County (Islands of Maui, Molokai, Lanai and Kaho'olawe)

- In January, 1997, Governor Cayetano designated Molokai as Maui County's first enterprise zone.
- In April, 2000, the Governor designated Lanai and East Maui as enterprise zones.
- The County will waive business permit fees for EZ-eligible businesses.
- The County will also give priority consideration to EZs and EZ-eligible businesses when allocating federal grant monies, processing business permits, and granting zoning waivers.
- Six Maui County businesses are currently enrolled in the program (all on Molokai).

FUTURE ACTIVITY

While a maximum of six zones may be designated in each county, the maximum number need not be nominated all at once. Zones can be designated at any time until the maximum allowable number per county is reached. Existing zones can also be expanded into adjacent eligible areas. As zones are designated, DBEDT works in partnership with the counties to market and promote participation in each zone.

Potentially eligible businesses already in each zone are identified and notified, and ongoing efforts will be made to attract new businesses. Business applications are distributed and processed throughout the year as they are submitted. Compliance with zone location, hiring, and gross receipts requirements must be verified for each business annually before qualification for tax and other benefits is approved. Data are collected throughout the year for inclusion in annual progress reports.

SUMMARY OF PROGRAM REQUIREMENTS AND BENEFITS

Zone Eligibility Criteria

A nominated area must consist of all or part of one or more contiguous census tracts that meet at least one of the following criteria based on the latest U.S. Census data:

1. Twenty-five percent or more of the population of the area have incomes below 80 percent of the median income of the county; or
2. An unemployment rate of 5.25 percent (1.5 times the 1990 state average rate of 3.5 percent).

Based on 1990 census data, about 87 percent of Neighbor Island census tracts—as well as about 65 percent of Oahu tracts—are eligible. Most eligible tracts satisfy the low-income criterion, while a few satisfy both. When data from the 2000 census become available in 2002, all or part of any census tract already included in a designated zone will remain part of that zone even if the tract would not be eligible for inclusion in a zone based on 2000 data.

Business Eligibility Criteria

In order to be eligible to participate in the program, a business located in an enterprise zone must earn at least half of its annual gross revenue in a zone from one or more of the following:

- Agricultural production or processing;
- Manufacturing;
- Wholesaling/distribution;
- Aviation or maritime repair or maintenance;

- Telecommunications switching and delivery systems (not including consumer sales or services);
- Certain types of call centers (e.g. bill collection or technical support for computer hardware or software manufacturers);
- Information technology design and production (e.g., software development, imagery creation, and data compilation, but not consumer sales or services);
- Medical research, clinical trials, and telemedicine service;
- Biotechnology research, development, production, or sales;
- Assistive technology equipment repair or maintenance;
- For-profit international business management training;
- Environmental remediation technician training; and
- Wind energy production.

Almost all other businesses are ***not*** eligible, including retailers, all other professional services, and firms which build, maintain, or repair real estate, such as custodial, carpentry, painting, electrical, and plumbing firms. The eligibility of some types of businesses and transactions may not always be clear-cut. If so, consultation with DBEDT may be needed to determine eligibility.

Eligible businesses (or, in the case of firms with more than one location, their zone establishment) must also derive at least 50 percent of their annual gross receipts from eligible transactions conducted <u>within</u> a zone. For sales of goods, this means transfer of title must take place within the zone. Eligible businesses must then satisfy one of the following hiring requirements in order to qualify for most EZ tax and other benefits. All businesses must begin EZ participation with at least one full-time employee.

1. ***"New" businesses*** (those which start in an area after it has been designated as an enterprise zone) must increase their average annual number of full-time employees by at least 10 percent the first year. During Years 2–7, the average annual number of full-time employees can fluctuate, but the annual average must remain at or above the required Year One average. However, if the annual average during any given year is lower than the first year, a firm can still re-qualify in any of the subsequent years remaining in its seven-year cycle.

2. ***"Existing" businesses*** (those in an area before it has been designated as an enterprise zone) must increase their annual average number of full-time employees by at least 10 percent the first year. In Years 2–7, existing businesses need to continue to increase their average annual number of full-time employees by at least 10 percent each year.

Firms which satisfy the hiring and gross receipts requirements will qualify for the following state and county incentives :

State Incentives

- Exemption from General Excise and Use Taxes for up to seven years.
- Income tax credit of 80 percent the first year, decreasing 10 percent each year thereafter over the next six years.
- Income tax credit equal to 80 percent of the unemployment insurance premiums paid during the first year, decreasing 10 percent each year over the next six years.

(Note: EZ income tax credits in excess of 100 percent of an eligible firm's annual income tax liability cannot be refunded or carried forward or backward to other tax years. The GET and income tax incentives apply only to gross revenues from EZ-eligible business categories within an EZ.)

Construction and construction trade contractors are also exempt from GET on work done for EZ-enrolled firms. This means an EZ-eligible firm must simply apply to participate in the EZ program and be officially approved to do so. No hiring requirements need to be satisfied. An EZ-enrolled firm benefits from this by negotiating with contractors to share all or part of the contractor's tax savings. Contractors claim this exemption by simply filing a copy of the EZ-enrolled firm's EZ application approval letter with the contractor's tax returns.

County Incentives

These vary by county, and may vary from zone to zone within each county. They may include, but are not limited to, the following:

- Incremental property tax abatement based on new construction or other added value;
- "Fast track" or priority permit processing;
- Zoning or building permit waivers or variances; or fee waivers; and
- Priority consideration for federal program monies controlled by the counties such as Community Development Block Grants (CDBG), Workforce Incentive Act (WIA), and others.

Zone Nomination, Designation, Amendment, and Termination Process

County zone nominations must include the following information:

1. A description of the proposed zone boundaries.
2. Maps identifying the following:
   - the proposed zone boundaries relative to the boundaries of the census tracts that will be fully or partially included in the zone;
   - land use classifications within the proposed zone;
   - publicly-held lands within the proposed zone including ceded lands; and

- the county general plan and/or development plan classifications for areas within the proposed zone.

3. A description of the incentives to be offered by the county to eligible businesses within each zone. Each county may propose incentives which can be made available:
   - in one, some, or all of the county's zones;
   - to certain types of eligible businesses only; and
   - for certain time periods only.

Prior to designation by the Governor, the size and location of nominated areas will be reviewed by DBEDT for appropriateness, as will the business incentives proposed by the counties. Each zone will exist for 20 years unless terminated sooner by the county.

Counties can request an amendment of zone boundaries from the Governor at any time. Counties can also change their own zone incentives, or terminate a zone entirely at any time without the Governor's approval. Businesses in a terminated zone that have already begun their seven-year cycle of eligibility will continue to be eligible to qualify for the State EZ incentives in the remaining years of their cycle, but no new businesses will be allowed to begin participation after a zone is terminated.

SUMMARY OF FEDERAL EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES (EZ/EC) PROGRAM

After more than a decade of ill-fated attempts, a federal EZ program was finally created in August, 1993, upon enactment of the Omnibus Budget Reconciliation Act of 1993. The new federal program offers Social Services Block Grants (SSBG) and business tax incentives in localities that are designated as Empowerment Zones and Enterprise Communities (hereinafter referred to as the EZ/EC program).

Nominations were due by June 30, 1994, and designations were made in December, 1994. Over 500 nominations were submitted. To be eligible, all census tracts in a nominated area had to satisfy specific poverty criteria based on 1990 census data. In addition to satisfying the poverty criteria, nominations had to be submitted by private non-profit community-based organizations, and had to be accompanied by a comprehensive strategic plan which demonstrated state and local government commitment to economic development in the nominated area.

A total of nine Empowerment Zones (6 urban, 3 rural) each received between $20 and $50 million in multi-agency financial assistance, while 95 Enterprise Communities (65 urban, 30 rural) received about $3 million in assistance. Initial EZ and EC designations where to remain in effect for 10 years.

In Hawaii, only Niihau, Kalaupapa, and five tracts in urban Oahu satisfied the primary poverty criterion. None of these areas was competitive, due either to their unique status (in the case of Niihau and Kalaupapa) or to being insufficiently "distressed" economically compared to distressed inner-city mainland areas. Since the program used 1990 federal census data to determine basic eligibility, areas such as Kauai County and the Big Island's Hamakua District—which became more distressed in 1992 and 1993, respectively, due to hurricane damage and/or sugar plantation closures—did not qualify.

A second round of 20 federal EZ designations (15 urban; five rural) was included in the FY 97 budget. An amendment was included in the federal budget bill which made approximately 54 Hawaii census tracts eligible, mostly on the Big Island and Oahu, as well as all of Molokai.

Second-round nominations had an October, 1998, application deadline. Twenty rural Enterprise Communities (ECs) were also designated, and the amount of SSBG monies available to both EZs and ECs was less than the first round. The primary first-round hiring tax incentive was also not available to second-round designees. About 120 urban nominations, and 160 rural nominations, were submitted nationwide. Four nominations were submitted from Hawaii (one urban and three rural). They included:

- Oahu (consisting of census tracts in Aiea, Palolo, Kaimuki, Kapahulu, Waikiki, Kalihi-Palama, Chinatown, Ko'olauloa, North Shore, Waianae, Waimanalo, and Waipahu);
- Kauai (consisting of most eligible census tracts);
- Molokai (the entire island); and
- The Ka'u district on the Big Island.

Selection of second-round EZs and ECs was made in January, 1999. Molokai, the only Hawaii nomination selected, received one of the 20 rural EC designations. Molokai was to receive $250,000 in SSBG monies the first year, as well as in each of the following nine years if Congress makes funds available. The other rural applicants will be designated as "champion communities" which were to be eligible for other funding opportunities from the U.S. Department of Agriculture (USDA).   The U.S. Department of Housing and Urban Development (HUD) also intended to offer special assistance to urban nominees, such as Oahu, which did not receive EZ or EC designation.   However, all Hawaii communities that applied intended to implement their strategic plans as far as possible with other resources which were identified during the planning process.

In December of 2000, Congress extended Round I and Round II EZ/EC designations through 2009, and announced plans for a third round to be designated in 2001.   The third round would tentatively include nine Empowerment Zones (seven urban and two rural) and 40 "Renewal Communities" (RC), including 28 urban and 12 rural.   20 of these 40 RCs could be existing federal EZs or ECs. RCs would tentatively receive additional tax and fee reductions beyond those already offered to existing EZs and ECs. (See Appendix D for a list of first and second round EZ/EC designations, and a summary of the incentives and other benefits offered in all three rounds.)

Workshops for potential applicants were held in May and June, and applications were due in October. The same Oahu communities that applied during Round II submitted the only application from Hawaii in Round III. Round III designations were scheduled to be announced in December of 2001, and take effect on Jan. 1, 2002. However, this announcement has been delayed in the aftermath of the terrorist attacks on September 11, 2001.

SUMMARY OF OTHER STATES' ENTERPRISE ZONES PROGRAMS

In the absence of a federal program, about two-thirds of the states and several hundred municipalities created their own programs since 1980. (Appendix C provides a synopsis of the status and performance of mainland states' EZ programs.) Most of the research on these programs was also conducted in the 1980s and early 1990s. Based on this research, the most successful programs have not relied solely upon state and local tax incentives for businesses in lieu of federal tax incentives.

In addition to tax incentives tailored for firms already in a zone and/or firms desired in a zone, most successful EZ programs involved a strong commitment of government financial and administrative resources, such as grants, loans, and venture capital along with staff that can undertake zone marketing efforts and provide support services for zone firms.

The most progressive state and local programs—like the federal EZ/EC program—have also taken a more comprehensive approach to reducing poverty and spurring economic development by coordinating incentives for investment and job creation with education, social services, and efforts to clean up blighted areas. They also attempt to promote local ownership and control over economic development by targeting enterprise zones for community-based economic development projects.

Attempts to quantitatively measure the cost-effectiveness of EZ programs for state government have focused on two things:

1. Program costs (taxes foregone and direct expenditures) relative to program benefits other than job creation (additional tax revenues raised plus reduced welfare costs); and
2. The cost per job created.

When EZ performance is measured by comparing program costs with the estimated fiscal benefits, enterprise zones appear to offer a reasonable return on the tax dollar for most state programs. If the fiscal benefits exceed the costs, then the program more than pays for itself and is desirable from the government's point of view regardless of how many jobs are produced. A 1993 U.S. Department of Agriculture (USDA) report, which is summarized in Appendix C, cited three studies that analyzed EZ programs in this manner. Benefits exceeded costs by a ratio of 1.9 to 1 in a New Jersey study, by 1.6 to 1 in a Louisiana study, and by 1.6 to 1 for a small sample of EZs in a multi-state study.

Most studies which attempt to estimate the cost per job created by mainland EZ programs have also concluded that the cost is reasonable compared with other job creation programs. The 1993 USDA report also included an analysis of six studies which attempted such estimates. Estimates of the cost per job created in enterprise zones ranged from $437 in Virginia to $5,613 in New Jersey**.** **Note: Based on the most recent annual data available (2001 through 11/30/01), Hawaii's estimate was about $1,100 per job.**

EZ programs have been most commonly compared with the Job Training Partnership Act (JTPA), the nation's largest jobs program until recently. JTPA carried an average cost per job of about $3,200, but a JTPA job is not a close substitute for an EZ job. EZ programs are designed primarily to create new jobs and preserve the jobs of those already employed, while the JTPA program helps disadvantaged individuals to fill existing job openings.

EZ programs have also been favorably compared with Public Service Employment ($8,000 per job), Title I Public Works ($19,000 per job), and Local Public Works ($13,000–$15,000 per job). However, these programs are not directly comparable either because they produce not only jobs, but other public goods and services. The most favorable cost per job comparison for EZ programs is with macroeconomic policy ($35,000 per job). This comparison, though, is also biased in favor of EZ programs because their success is usually directly aided by the local availability of other economic development programs, while the success of macroeconomic policy is not.

More appropriate cost per job comparisons for EZ programs can be made with the now-defunct federal Urban Development Action Grant (UDAG) program ($5,500 per job) and the economic development projects of the Community Development Block Grant (CDBG) program ($5,000 per job). Like EZ programs, both are primarily intended to create jobs and are often packaged with other forms of government assistance.

APPENDICES

A. State and County Enterprise Zones Program Coordinators

B. Firms Enrolled in EZ Program by Island, Zone, and Type

C. Status and Performance of Mainland States' Enterprise Zones Programs

D. List of Federal EZ/EC Designations and Incentives

E. Maps of Enterprise Zones in Hawaii

APPENDIX A

STATE AND COUNTY ENTERPRISE ZONES
PROGRAM COORDINATORS

STATE AND COUNTY ENTERPRISE ZONES PROGRAM COORDINATORS

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APPENDIX B

FIRMS ENROLLED IN EZ PROGRAM
BY ISLAND, ZONE, AND TYPE

BUSINESSES ENROLLED IN ENTERPRISE ZONES PROGRAM BY TYPE AND ZONE AS OF 11/30/01 **OAHU**	Zone #1: Parts of Waipio, Waipahu, Ewa, Kunia, and Campbell Industrial Park, plus all of Kapolei	Zone #2: Mililani Tech Park and parts of Wahiawa	Zone #3: North Shore/ Koolauloa (from Mokuleia to Ka'a'awa)	Zone #4: Urban Honolulu	Zone #5 Leeward Coast
Manufacturing	8	1	3	2	
Wholesaling	9	1	1	11	
Agricultural production or processing	4		6	1	
Aviation or maritime repair			1	1	
Telecommunications switching or delivery (including certain types of call centers)	1				
Info tech design and production	2		1	6	
Medical research, clinical trials, and telemedicine					
For-profit training programs for international business management or environmental technician training					
Biotechnology research, development, production, or sales			2	1	
Repair or maintenance of assistive technology equipment				1	
Wind energy production					
TOTALS	24	2	14	23	0

BUSINESSES ENROLLED IN ENTERPRISE ZONES PROGRAM BY TYPE AND ZONE AS OF 11/30/01 **BIG ISLAND**	Zone #1: Hilo-Puna	Zone #2: Hamakua	Zone #3: North Kona	Zone #4: South Kona	Zone #5: Ka'u	Zone #6: North Kohala
Manufacturing	9	4	1	2		
Wholesaling	2		2			
Agricultural production or processing	4	4	5	4	3	1
Aviation or maritime repair		1	2			
Telecommunications switching or delivery (including certain types of call centers)	1					
Info tech design and production	1					
Medical research, clinical trials, and telemedicine						
For-profit training programs for international business management or environmental technician training						
Biotechnology research, development, production, or sales			1			
Repair or maintenance of assistive technology equipment						
Wind energy production						
TOTALS	17	9	11	6	3	1

BUSINESSES ENROLLED IN ENTERPRISE ZONES PROGRAM BY TYPE AND ZONE AS OF 11/30/01 **KAUAI**	Zone #1: Lihue and vicinity	Zone #2: Kapaa and vicinity	Zone #3: North Shore	Zone #4: South central Kauai	Zone #5: West Kauai
Manufacturing			1	1	2
Wholesaling	6	2			
Agricultural production or processing	2		1	2	
Aviation or maritime repair					
Telecommunications switching or delivery (incl. certain types of call centers)					
Info tech design and production		1			1
Medical research, clinical trials, and telemedicine					
For-profit training programs for international business mgmt or environmental technician training					
Biotechnology research, development, production, or sales					
Repair or maintenance of assistive technology equipment					
Wind energy production					
TOTALS	8	3	2	3	3

BUSINESSES ENROLLED IN ENTERPRISE ZONES PROGRAM BY TYPE AND ZONE AS OF 11/30/01 **MAUI COUNTY**	Zone #1: Molokai	Zone #2: Lanai	Zone #3: East Maui
Manufacturing			
Wholesaling			
Agricultural production or processing	5		
Aviation or maritime repair			
Telecommunications switching or delivery (including certain types of call centers)			
Info tech design and production			
Medical research, clinical trials, and telemedicine			
For-profit training programs for international business management or environmental technician training			
Biotechnology research, development, production, or sales	1		
Repair or maintenance of assistive technology equipment			
Wind energy production			
TOTAL	6	0	0

APPENDIX C

STATUS AND PERFORMANCE OF
MAINLAND STATES' ENTERPRISE ZONES PROGRAM

STATUS AND PERFORMANCE OF MAINLAND STATES' ENTERPRISE ZONES PROGRAMS

1. **ZONE CHARACTERISTICS AND STATISTICAL DATA**: A 1992 U.S. Department of Housing and Urban Development (HUD) table follows which summarizes the most recent data available regarding the characteristics and performance of all state EZ programs. The data were provided by state EZ program coordinators. (Note: HUD no longer tracks state EZ program performance.)

Between 1981 and 1984, 18 states adopted EZ programs. By 1988, an additional 19 states and Washington, D.C. had also created programs. Programs in three states—Maine, Minnesota, and Mississippi—have ended under sunset provisions of their authorizing legislation. The Nebraska legislature approved a zone program in its 1992 session. Pennsylvania has an administrative program and the other states have legislatively-enacted programs.

A total of 3,172 zones had been designated in 32 states by 1992. Approximately one-third of the zones are in non-metropolitan areas. Twenty-six states reported 663,885 jobs created since the inception of their programs, while 22 states reported capital investments of $40 billion.

The summary table lists the current year and cumulative number of jobs, firms, and amount of capital investment in each state's enterprise zones. It also includes the number of zones in each state and the year each program was created. But the data in the summary table suffer from several shortcomings. Many states did not report current or cumulative data. The data reported as current year may be as of 1982, 1988, 1989, 1990, or 1991. The cumulative number of jobs and investment may be for one to nine years depending on the date each program was created. The job estimates are mostly created jobs, but some estimates may include retained jobs. Thus, the summary table does not add identically-defined data for jobs, firms, and investments. As available, cumulative zone activity data are included for the states with closed programs. Methods of counting also varied from state to state. Some are actual counts while others are projections.

Significant variation among state EZ programs exists in several areas. A number of state programs have incorporated either a community development goal, a goal of job generation for zone residents, or both. The size of state EZs varies from a 49-acre site in Maryland to 10,000 acres in Alabama and entire counties in Oklahoma. Another factor contributing to the wide variation among the state programs is the number of zones within each state. For example, Louisiana has the most zones (1,553) while Michigan has only one enterprise zone. Most states limit the number of enterprise zones; only five states have more than 100 zones and only 13 have more than 25 zones. After excluding those states with more than 100 zones and fewer than five zones, the mean number of zones within the remaining states is 24.

Although the majority of states reported some effort to market the zones, most marketing is done at the local level, occasionally with some state assistance. Many coordinators noted that the state office would like to play a more active role, but had been unable to assist because of a shortage of funds and personnel.

Many state EZ coordinators indicated that an effort was being made to coordinate the program with other policy initiatives, particularly Federal programs such as UDAG (Urban Development Action Grants), CDBG (Community Development Block Grants), and EDA (Economic Development Administration) grants. In several cases, the same state office administers the zone program and some of the federal programs, so coordination is not difficult to achieve. In a few cases, however, the zone administrators felt that the federal programs were not designed to meet the state's particular needs, and that federal program administrators tended to be unresponsive. Several states reported that efforts to coordinate with federal programs were being undertaken at the local level.

SUMMARY OF STATE ENTERPRISE ZONE INFORMATION

As of August, 1992 (most recent data available)

	CURRENT YEAR DATA			CUMULATIVE DATA				
STATE	JOBS	FIRMS	INVEST. ($000,000)	JOBS	FIRMS	INVEST. ($000,000)	NO. OF EZ AREAS	YEAR EZ ENACT
AL	-	-	-	2,062	44	$129	12	1987
AZ	-	-	-	-	-	-	11	1989
AR	-	-	-	30,757	674	2,160	458	1989
CA	-	-	-	7,041	-	382	34	1984
CO	-	-	-	17,160	-	1,647	16	1986
CT	-	-	-	17,559	-	451	11	1982
DE	-	-	-	195	-	50	30	1984
DC	-	-	-	-	-	-	3	1988
FL	6,114	29	-	-	-	-	30	1984
GA	-	-	-	2,700	-	100	3	1982
IL	41,142	1,528	$1,010	262,393	8,582	5,657	90	1982
IN	-	-	-	-	-	-	15	1983
KS	Pre-1992 program data			5,276	-	521	255	1992
KY	-	-	-	19,000	1,900	1,700	10	1982
LA	-	-	-	40,730	-	4,700	1,553	1981
ME	Program ended			-	-	-	-	1987
MD	-	-	-	2,000	-	208	17	1982
MI	-	-	-	700	100	40	1	1986
MN	Program ended			52,926	-	-	-	1983
MS	Program ended			-	-	-	-	-
MO	-	-	-	19,412	-	1,030	50	1982
NB	-	-	-	-	-	-	-	1992
NV	-	-	-	200	-	-	2	1983
NJ	-	-	-	22,938	-	3,800	10	1983
NY	-	-	-	4,360	-	726	19	1986
OH	-	-	-	124,500	-	13,200	227	1982
OK	-	-	-	-	-	-	88	1983
OR	-	-	-	4,400	121	373	30	1983
PA	-	-	-	10,250	-	-	45	1983
RI	New legislation enacted June 1991							
SC	-	-	-	500	-	700	3	1987
TN	-	-	-	-	-	-	2	1984
TX	-	-	-	11,664	-	2,911	103	1988
UT	-	-	-	798	39	-	15	1988
VT	Program ended December 1992			-	-	-	3	1986
VA	-	-	-	2,697	120	52	18	1986
WV	Program inactive			-	-	-	-	1986
WI	-	-	-	1,667	78	68	8	1988
TOTAL	**47,256**	**1,557**	**$1,010**	**663,885**	**11,658**	**$40,605**	**3,172**	

2. **ZONE INCENTIVES**: The following table lists the incentives offered by all states with EZ programs. There are five general types of incentives used with varying degrees of frequency. These types, along with the percentage of state EZ programs that use or used them are:

- tax incentives (94%);
- capital financing (58%);
- regulatory relief (52%);
- targeting of existing economic development programs (46%); and
- infrastructure/public service improvements (33%).

The primary types of tax incentives and the percentage of state EZ programs using these incentives are:

- employer income tax credits (62%);
- job creation and wage credits (59%);
- sales or use tax credits (55%);
- selective hiring credits (52%);
- property tax credits (44%); and
- investment credits (28%).

The regulatory relief that has been offered tends to be procedural rather than substantive, and is usually in the form of:

- one-stop permits;
- fast-track permit processing; and
- fee reductions.

Where there has been substantive relief, it has usually been limited to assistance with zoning changes or variances that may well have been granted without an official policy of regulatory relief.

It should be noted that the list of incentives is more dated than the performance estimates in the preceding table, and some incentives offered by the states may have changed since the data were assembled. This fact should be kept in mind when making comparisons between the two.

INCENTIVES OFFERED BY STATE ENTERPRISE ZONE PROGRAMS

	Property tax reduction	Credit for interest paid on loans	Investment credit for Real Estate improvements	Sales/sales & use tax	Employer income tax credit	Employee income tax credit	Job creation/wage credit	Credit for selective hiring	IRB/IDB Allocation Preference	Tax increment financing	Venture capital funds	Direct state loans	Infrastructure/public service improvements	Program targeting	Regulatory relief
	TAX INCENTIVES								CAPITAL FINANCING				MISC. INCENTIVES		
ALABAMA			X	X	X		X	X		X				X	X
ARIZONA								X							
ARKANSAS				X	X		X								X
CALIFORNIA		X		X	X	X	X	X	X			X	X	X	X
COLORADO	X		X	X			X								
CONNECTICUT	X			X	X		X	X			X	X			
DELAWARE			X		X		X	X							
FLORIDA	X		X	X	X		X		X	X			X	X	X
GEORGIA	X														
HAWAII				X	X			X							
ILLINOIS	X	X	X	X	X			X	X	X		X	X	X	X
INDIANA	X	X			X	X	X			X		X		X	X
KANSAS			X	X	X		X	X		X				X	X
KENTUCKY		X		X											X
LOUISIANA				X	X		X	X				X		X	X
MAINE												X	X	X	
MARYLAND	X				X		X	X		X	X	X		X	
MICHIGAN	X			X	X								X		
MINNESOTA	X	X		X	X	X	X								
MISSISSIPPI				X	X		X								
MISSOURI	X		X		X		X	X		X		X	X		X
NEVADA									X	X			X		X
NEW JERSEY				X	X		X	X				X		X	X
NEW YORK	X		X	X			X	X	X	X	X			X	
OHIO	X				X			X							X
OKLAHOMA			X	X								X			
OREGON	X													X	X
PENNSYLVANIA	X				X		X	X			X	X	X		
RHODE ISLAND	X				X	X	X	X						X	X
SO. CAROLINA							X								
TENNESSEE		X												X	X
TEXAS				X								X		X	X
UTAH			X		X		X	X	X	X	X		X	X	X
VERMONT	X				X		X	X				X	X	X	
VIRGINIA				X	X										X
WASHINGTON DC	X						X	X			X	X	X	X	X
WEST VIRGINIA		X		X							X	X	X		
WISCONSON		X	X	X	X		X	X							

3. **RESEARCH FINDINGS**: Several attempts have been made at broad, comparative assessments of EZ programs on the mainland. However, such assessments are made difficult by a number of factors. Most EZ research has been limited by resources, interest, or lack of data to single-case studies, narrow output measures, or single periods of time. The absence of baseline data against which to measure effectiveness has also hampered efforts to assess many programs. Above all, the wide variety in the purpose, structure, and incentives of state EZ programs inhibits comparative analysis. With these limitations in mind, what follows is a summary of the best currently available studies. (Note: This analysis has not changed from previous editions of the EZ annual report because no new significant research findings have been produced.)

Seventeen State Comparative Study: The results of this study were published in a 1991 collection of essays entitled Enterprise Zones: New Directions in Economic Development, edited by Roy E. Green. The authors based their study on data from an extensive HUD survey covering 357 zones in 17 states. The survey was conducted in 1985 and 1986, and represented all states that had EZ programs in 1984 except Delaware. Although somewhat dated and hampered by a lack of longitudinal data, it represents the most comprehensive attempt, to date, to compare state EZ programs head-to-head using the same database (as opposed to comparing the findings of individual state case studies). (Note: The author of the USDA report, also summarized below, cites the 1986 HUD survey as the only comprehensive source of data on nationwide rural EZ performance.)

Empirical analyses of these data indicate that state-sponsored EZs sometimes resulted in significant increases in both jobs and business creation in areas that were characterized by severe socioeconomic distress and population decline. Although EZs are no panacea for all ailing areas, growth rates of gross job creation were higher than the national rate in nearly a third of the zones included in the study. In the average zone, over 460 jobs were created or saved in the period between zone designation and survey response, typically a period of two years.

Zones typically were more successful in generating jobs through business expansion, new ventures, or relocations than in staving off closures, although a rather large number of jobs were often involved where closures were prevented. More than 80 percent of the investment in zones was attributable to expansions of existing businesses or to new start-ups rather than relocating firms. Most investments were also attributable to relatively small firms, while manufacturing businesses overwhelmingly accounted for the vast majority of jobs saved or created in the zones.

Although the diversity of state programs made analysis difficult, the authors of the study reached the following conclusions based on an examination of the 90 highest-performing zones:

- States should concentrate their efforts on a relatively small and select set of zones that already have a labor force with basic skills, adequate public infrastructure, and transportation access. This can make the areas attractive for investment with the marginal but catalytic contributions that EZ designation, incentives, and visibility can provide. EZ designation alone may not help the most distressed areas.
- An attractive package of EZ incentives sufficient to appeal to a wide variety of businesses, but focused on one or two really critical incentives that specifically target the needs of existing or desired EZ businesses, can help increase job creation and investment in EZs.
- Direct government involvement via targeting of financial and other resources toward zones, as well as state-local and public-private partnerships, also seem to be important ingredients in stimulating economic development in EZs.

Four State Comparative Study: Green's 1991 collection of essays also includes the findings of a four-state comparative study conducted between 1987 and 1989 which yielded similar insights. The authors compared EZ programs in Illinois, Indiana, Kentucky, and Ohio, and made the following conclusions:

- The most successful programs are hybrids which combine a commitment of government financial and administrative resources (e.g., grants, loans, and venture capital along with staff that can undertake marketing efforts, meet with firms, and provide support services) with a few classic EZ tax incentives tailored for firms already in the zone and/or the types of firms desired in the zone.
- Commitment of government financial and administrative resources to zone promotion mattered more than any other factor in their analysis. While classic EZ incentives accounted for most of the variation in new investment by firms already within a zone, what mattered most for new and expanding firms was clearly the quantity and quality of government administrative resources supporting the EZ program.

In reviewing the findings from these comparative analyses and other individual case studies of state EZ programs, Green agreed that all other things being equal, greater success appears to be related to greater government involvement. However, he added that the available data are still insufficient to conclude that one approach is clearly more successful than another. As a result, Green advocated continued improvement in evaluating how EZs work and what they achieve, along with better linkage to other economic development activity.

Rural Enterprise Zones in Theory and Practice: An Assessment of their Development Potential: This 1993 report from the United States Department of Agriculture (USDA) includes a good summary of most major EZ studies conducted to date (both multi-state and multi-city, as well as single-state case studies) and attempted to assess zone performance (both urban and rural) by comparing the findings of other studies rather than raw data collected directly from EZ programs. But as the title implies, this report attempted to assess rural zone performance in particular since little empirical data about rural zones exist. Because most Hawaii zones are in rural areas, and because agriculture is one of the main activities targeted by Hawaii's EZ program, the findings of this report may be particularly relevant.

The USDA report concluded that:

- Studies which have attempted to compare EZ costs (taxes foregone and direct expenditures) with EZ benefits other than job creation (increased tax revenues and reduced welfare costs) have concluded that EZ programs more than pay for themselves regardless of the number of jobs created or saved.
- Enterprise zones have been fairly successful in generating jobs, and most studies estimating the cost per job created conclude that it appears reasonable when compared with other job creation programs, particularly in rural zones where the cost per job is usually less than urban zones.
- Enterprise zones were doing a good job of creating jobs for low-income people, the unemployed, and EZ residents, especially in rural EZs.
- Although enterprise zones may not be appropriate for all rural areas, most rural zones seem to be doing as well or better than urban zones in creating jobs.
- The most productive rural zones, in terms of creating jobs per capita, have had the smallest populations. In such places, the EZ program can act as a powerful catalyst, provoking the community to organize a comprehensive development

policy involving public-private partnerships and improvements in local government services and infrastructure.

- Other factors associated with superior rural EZ performance are local leadership, adequate infrastructure, an adequately skilled labor force, linkages to urban markets, and amenities.

The USDA suggests that rural zone performance might be further improved by:

- Screening out potentially unproductive zones (those not interested in development and those lacking the factors associated with superior rural EZ performance);
- Modifying zone incentives to further reduce the cost per job and to improve the quality of jobs created;
- More hands-on planning and marketing assistance from government.

APPENDIX D

LIST OF FEDERAL EZ/EC DESIGNATIONS AND INCENTIVES

EMPOWERMENT ZONES

URBAN EMPOWERMENT ZONES	URBAN SUPPLEMENTAL ZONES
Atlanta, GA	Los Angles, CA
Baltimore, MD	Cleveland, OH
Chicago, IL	
Detroit, MI	Rural Empowerment Zones
New York, NY	Kentucky Highlands (Clinton, Jackson, Wayne Counties, KY)
Philadelphia, PA & Camden, NJ	Mid-Delta Mississippi (Bolivar, Holmes, Humphreys, LeFlore Counties, MS)
	Rio Grande Valley Texas (Cameron, Hidalgo, Starr, Willacy Counties, TX)

URBAN AND RURAL ENTERPRISE COMMUNITIES

Urban Enhanced Enterprise Communities	Boston, MA	Kansas City, KS/Kansas City, MO
	Houston, TX	Oakland, CA

State	Rural Enterprise Communities	Urban Enterprise Communities
Alabama	Chambers County; Green & Sumter Counties	Birmingham
Arizona	Arizona Border Region: Cochise, Santa Cruz, Yuma Counties, , Four Corners EC	Phoenix
Arkansas	Mississippi County, Eastern Arkansas: Cross, Lee, Monrow & St Francis County, Metlakatla Indian Community EC	Pulaski County
California	Imperial County, City of Watsonville, Santa Cruz County, Central California EC	Los Angeles (South Central/ Huntington Park), San Diego, San Francisco (Hunters Point), Santa Ana
Colorado		Denver
Connecticut		Bridgeport, New Haven
Delaware		Wilmington
D.C.		Washington
Florida	Jackson County, Empowerment Alliance of SW FL EC	Dade County, Miami, Tampa
Georgia	Crisp & Dooly Counties Central Savannah River Area: Burke, Hancock, Jefferson, McDuffie, Tallafero & Warren Counties	Albany
Hawaii	Molokai EC	
Illinois		East St. Louis, Springfield
Indiana	Town of Austin EC	Indianapolis, Gary, East Chicago
Iowa		Des Moines
Kansas	Wichita County EC	
Kentucky	McCreary County, Bowling Green EC	Louisville
Louisiana	Northeast Louisiana Delta: Madison County Macon Ridge: Cataboula, Concordia, Franklin, Morehouse & Tensas County	New Orleans Ouachita Parish
Maine	Empower Lewiston EC	
Massachusetts		Lowell, Springfield, Boston
Michigan	Lake County	Flint, Muskegoo
Minnesota		Minneapolis, St. Paul
Mississippi	North Delta: Panola, Quitman, Tallahatchie Counties, Clare County EC	Jackson
Missouri	City of East Prairie: Mississippi County	St Louis

Montana	Fort Peck Assiniboine & Sioux Tribe EC	
Nebraska		Omaha
Nevada		Clark County/Las Vegas
New Hampshire		Manchester
New Jersey		Newark, Cumberland County
New Mexico	Mora, Taos, Rio Ariba Counties,City of Deming EC	Albuquerque
New York		Albany, Buffalo, Newburgh-Kingston, Rochester
North Carolina	Halifax, Edgecombe & Wilson Counties, Robeson County	Charlotte
Ohio		Akron, Columbus, Cincinnati, Ironton, Huntington, WV
Oklahoma	Southest Oklahoma: Choctaw, McCurtain Counties, Tri-County Indian Nations EC	Oklahoma City
Oregon	Josephine County	Portland
Pennsylvania	City of Lock Haven: Clinton County, Fayette EC	Harrisburg
Rhode Island		Providence
South Carolina	Williamsburg County & Lake City:Florence & Williamsburg Counties, Allendale ALIVE EC	Charleston,Columbia, Sumter
South Dakota	Boadle & Spink Counties	
Tennessee	Fayette & Haywood Counties, Scott County, Clinch-Powell EC	Memphis, Nashville, Knoxville
Texas	FUTURO Communities EC	Dallas, El Paso, San Antonio, Waco
Utah		Odgen
Vermont		Burlington
Virginia	Accomack & Northampton Counties	Norfolk, Portsmouth
Washington	Lower Yakima County, Five Star EC	Seattle, Tacoma
West Virginia	Central Appalachin: Braxton, Clay, Fayette, Nicholas & Roans Counties and McDowell County	Huntington
Wisconsin	Northwoods NiJii EC	Milwaukee
West Virginia	Upper Kanawha Valley EC	

FEDERAL EZ/EC DESIGNATIONS AND INCENTIVES

	Number of Empowerment Zones (EZs) and Enterprise Communities (ECs) designated	**Federal Social Service Block Grant (SSBG) money per EZ/EC**	**Federal tax incentives available in both EZs and ECs (unless otherwise noted)** **Note: Federal Work Opportunity Tax Credit and Welfare-to-Work Tax Credit also available to EZ/EC employers who hire individuals from certain disadvantaged groups.**
Round 1: **Designated Dec. 1994 (extended 12/15/00 through 2009)**	11 EZs: 8 urban 3 rural 94 ECs: 64 urban 30 rural	Urban EZs: $100 million each over 10 years Rural EZs: $40 million each over 10 years All ECs: $3 million each over 10 years	• Employer income tax credit for hiring EZ residents (up to 20% of first $15K in wages per employee per year) • Up to $35K depreciation tax deduction for qualified EZ/EC property • State & local tax-exempt bond financing of construction for certain businesses • Environmental clean-up cost tax deduction • Tax credit for financial institutions which purchase State or local government "zone academy" bonds for public school improvements
Round 2: **Designated Dec. 1998 (extended 12/15/00 through 2009)** **Congress must approve funding for future years**	20 EZs: 15 urban 5 rural 20 ECs: all rural	Urban EZs: $3 million/ea first year; $12.3 mill/ea FY01* Rural EZs: $2 million/ea first year* Rural ECs: $250,000/ea first year*	Same as Round I, plus • Low-income housing investment tax credits • Community Development investment tax incentives
Round 3: **Designated in 2001 until 2009** **(Unknown if Rd. 3 EZ incentives available to RCs and Round 1 and 2 EZs)**	9 EZs: - 7 urban - 2 rural 40 Renewal C'munities* (RCs) - 28urban - 12 rural (* - 20 can be EZs or ECs)	EZs: None RCs: Possible additional tax/fee reductions	• 15% Employer tax credit on first $10K of wages per EZ employee • Tax-exempt bond financing for EZ business development • 60% capital gains tax exclusion on EZ small business stock holdings, and zero tax on capital gains reinvested in another EZ business • Additional $35K business tax deduction for capital expenditures • Tax incentive for venture capital fund investment in EZs

APPENDIX E

MAPS OF ENTERPRISE ZONES IN HAWAII